

No. 73 of 1976.

Income Tax (Rates) Act 1976.

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INDEPENDENT STATE OF PAPUA NEW GUINEA.



No. 73 of 1976.

Income Tax (Rates) Act 1976.

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INDEPENDENT STATE OF PAPUA NEW GUINEA.



AN ACT

entitled

Income Tax (Rates) Act 1976,

Being an Act to consolidate and declare the rates of income tax, to be incorporated and read as one with the *Income Tax Act 1959*,

Made by the National Parliament, to be deemed to have come into operation on 1 July 1976.

PART I. – INTRODUCTORY.

1. INTERPRETATION.

A reference in this Act to taxable income shall be read as a reference to taxable income of the year of income.

PART II. – IMPOSITION OF INCOME TAX.**2. DECLARATION OF RATES.**

The rates of income tax for the fiscal year commencing on 1 July 1976 and, except as provided otherwise by Act, for each subsequent fiscal year, are the rates specified in this Act and no others.

3. RATES OF TAX PAYABLE BY INDIVIDUALS.

(1) Subject to Subsection (2), the rates of income tax payable on taxable income by a person other than a company are as set out in Schedule 1.

(2) Where a taxpayer's assessable income includes, in addition to salary or wages any other income other than salary or wages, the tax payable on that income which has not borne salary or wages tax shall be calculated in accordance with the following formula:–

$$A - B = C$$

where –

“A” = Gross Tax Payable under Schedule 1 on income equivalent to the total of salary or wages received (but not including income or payments deemed to be salary or wages under Section 46B or as defined in Section 65A of the *Income Tax Act 1959*), plus taxable income other than salary or wages;

“B” = Gross Tax Payable under Schedule 1 on income equivalent to the total of salary or wages received (but not including income or payments deemed to be salary or wages under Section 46B or as defined in Section 65A of the *Income Tax Act 1959*);

“C” = Gross Tax Payable on taxable income other than salary or wages.

4. RATE OF TAX BY REFERENCE TO NOTIONAL INCOMES.

The rate of income tax on taxable income in any case where Section 80, Section 117(2) or Section 212 of the Principal Act applies is as set out in Schedule 2.

5. RATES OF TAX PAYABLE BY TRUSTEES ON TRUST INCOME.

(1) The rate of income tax payable by a trustee on the net income of a trust estate is as set out in Section Sch. 3.1.

(2) The rate of income tax on distributions of income of a trust estate, payable by a trustee, is as set out in Section Sch. 3.2.

6. RATES OF TAX PAYABLE BY COMPANIES (OTHER THAN TRUSTEES).

(1) The rates of income tax payable by a company other than–

- (a) a company in the capacity of a trustee; or
- (b) a company to which Section 154C of the Principal Act applies,

are as set out in Schedule 4.

(1) The rates of income tax payable by a company to which Section 154C of the Principal Act applies are as set out in Schedule 6.

(2) Notional tax or instalments thereof is or are payable by a company in accordance with the provisions of Part VI.1A of the *Income Tax Act 1959* in respect of the fiscal year commencing 1 January 1980 and for each subsequent fiscal year.

6A. [TO BE ADDED LATER].

The rate of tax imposed by this Act upon income to which Section 4C of the *Income Tax Act 1959* applies is—

- (a) where the recipient is an associated person—30% of the assessable income; or
- (b) where the recipient is not an associated person—10% of the assessable income or 48% of the taxable income whichever is the lesser.

7. RATE OF ADDITIONAL PROFITS TAX ON PETROLEUM INCOME.

The rate of additional profits tax payable under Section 165C of the Principal Act is as set out in Schedule 5.

7A. SURCHARGE OF TAX IN RESPECT OF RENTAL INCOME.

(1) Where the whole or any part of the taxable income of a taxpayer is derived from the rental or leasing of real estate (which taxable income or part of the taxable income or net income or part of the net income, as the case may be, is in this section referred to as the “property income component”) there is payable additional tax of an amount equal to such percentage of the basic tax on the property income component as is applicable in accordance with Schedule 7.

(2) For the purposes of Subsection (1), the basic tax on the property income component is the amount ascertained by applying to the property income component the rate ascertained by dividing the tax calculated by reference to Schedules 1, 2, 3, 4 and 6 in respect of the taxable income of the taxpayer, or in the case of a person in the capacity of a trustee, in respect of the net income of the trust estate in respect of which the person is liable to be assessed, less all rebates allowable under Part III.18A and Section 214 to which the taxpayer is entitled, by a number equal to the number of whole Kina in that taxable income or net income as the case may be.

(3) For the purpose of Subsections (1) and (2), the property income component of a taxpayer’s taxable income shall be deemed to be the amount remaining after deducting from the amount of income from rent or leasing of real estate included in the assessable income of the taxpayer such deductions allowed or allowable as are attributable to the derivation of income from the rental or leasing of real estate.

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PART IV. – MISCELLANEOUS.

8. REPEAL (REPEAL OF 1976 RATES ACTS).

The *Income Tax (Rates) Act 1976* and *Income Tax (Rates) Act (No. 2) 1976* are repealed.

**SCHEDULE 1 – GENERAL RATES OF INCOME TAX ON TAXABLE INCOME
PAYABLE BY PERSONS OTHER THAN COMPANIES.**

Sec. 3.

Sch. 1.1. General rates.

Subject to Section Sch. 1.2, the rate of income tax for each part of the taxable income specified in Column 1 of the following table is the percentage of that part set out in Column 2 of that table opposite to the reference to that part of the taxable income in Column 1:–

Sch. 1.2.Amount of tax payable by certain individuals.

Where the taxable income does not exceed K1,019, the amount of income tax payable shall not exceed 50% of the amount by which the taxable income exceeds K936.00.

**SCHEDULE 2 – RATE OF INCOME TAX ON TAXABLE INCOME BY
REFERENCE TO A NOTIONAL INCOME.**

Sec. 4.

In respect of the taxable income of a taxpayer deriving a notional income, as specified by Section 80, 117(2) or 212 of the Principal Act, the rate of income tax payable shall be determined—

- (a) by ascertaining the amount of income tax that would be payable under Schedule 1 on a taxable income equal to the notional income; and
- (b) by expressing the amount so ascertained as a percentage of the amount of the notional income,

and the percentage so expressed is the rate of tax payable on the taxable income of the taxpayer.

**SCHEDULE 3 – RATES OF INCOME TAX IN RELATION TO TRUST
ESTATES.**

Sec. 5.

Sch. 3.1. Trustees.

In respect of the net income of a trust estate in respect of which a trustee is liable, under Section 130 of the Principal Act, to be assessed and to pay tax, the rate of income tax is the rate that would, under Schedule 1, be payable on the net income, or 36.5% of the net income, whichever is the higher.

Sch. 3.2. Non-resident beneficiaries.

In respect of a distribution of the income of a trust estate in respect of which a trustee is liable, under Section 135 of the Principal Act, to be assessed and to pay tax, the rate of income tax is 10% of the amount of the distribution.

**SCHEDULE 4 – RATES OF INCOME TAX PAYABLE BY A COMPANY
OTHER THAN A COMPANY IN THE CAPACITY OF A TRUSTEE.**

Sec. 6.

Sch. 4.1. [To be added later].

In the case of a company (other than a company that derives assessable income from petroleum) that is a resident corporation of Papua New Guinea, the rate of income tax (other than additional tax under Section 138 of the Principal Act) is 35% of the taxable income.

Sch. 4.2. Substituting “Non-resident corporations (other than petroleum mining companies)”.

In the case of a company (other than a company that derives assessable income from petroleum) that is a non-resident corporation, the rate of income tax is 48% of the taxable income.

Sch. 4.3. Unincorporated associations, etc.

In the case of a company (other than a company that derives assessable income from petroleum) that is not a corporation, the rate of income tax is 35% of the taxable income.

Sch. 4.4. Petroleum mining companies.

In the case of a company that derives assessable income from petroleum, the rate of income tax is 50% of the taxable income.

Sch. 4.5. [Repealed.]

Sch. 4.6. Interest paid by companies to non-residents.

In respect of an amount of interest on which a company is liable, under Section 186(1) of the Principal Act, to pay income tax, the rate of income tax is 48% of that amount.

Sch. 4.7. Interest paid by companies on bearer dividends.

In respect of an amount of interest on which a company is liable, under Section 187(1) of the Principal Act, to pay income tax, the rate of income tax is 48% of that amount.

Sch. 4.8. Mining companies during investment recovery period.

In the case of a company that derives income from mining operations during the investment recovery period within the meaning of Section 163X of the Principal Act, the rate of income tax on its taxable income from mining operations is—

- (a) in the case of a company which is a corporation incorporated outside Papua New Guinea—48%; and
- (b) in any other case—35%.

**SCHEDULE 5 – RATE OF ADDITIONAL PROFITS TAX ON PETROLEUM
INCOME.**

Sec. 7.

In respect to an amount of additional profits from petroleum mining on which a company is liable, under Section 165C of the Principal Act, to pay additional profits tax, the rate of income tax is 50% of that amount.

**SCHEDULE 6 – RATES OF INCOME TAX PAYABLE UNDER SECTION 154C
OF THE PRINCIPAL ACT.**

Sec. 6(2).

Sch. 6.1. First K50,000 of taxable income.

In respect of the first K50,000 of taxable income, the rate of income tax is nil.

Sch. 6.2. Income above K50,000.

In respect of so much of the taxable income that exceeds K50,000, the rate of income tax (other than additional tax under Section 138 of the Principal Act) is 35%.

**SCHEDULE 7 – PERCENTAGE FOR CALCULATING ADDITIONAL TAX IN
RESPECT OF PROPERTY INCOME.**

Section 7A.

The percentage applicable for the purpose of Section 7A is 10 per centum.

Office of Legislative Counsel, PNG